

SUBORDINATION AGREEMENT

3/23/09 2:54:37
BK 3.009 PG 97
DESOTO COUNTY, MS
W.E. DAVIS, CH CLERK

THIS SUBORDINATION AGREEMENT, by and between Mississippi Home Corporation, having its principal office at Post Office Box 23369, Jackson, Mississippi 39225 ("MHC"), PARKWAY HORN LAKE, L.P., having its principal office address at 120 N. Congress Street, Suite 900, Jackson, Mississippi 39201 ("BORROWER"), as successor in interest to Shadow Oaks, Ltd., a Mississippi limited partnership, ("SHADOW OAKS"), and THE UNITED STATES OF AMERICA, acting through RURAL DEVELOPMENT, UNITED STATES DEPARTMENT OF AGRICULTURE, whose principal office is located in Washington, D.C. ("RURAL DEVELOPMENT").

WITNESSETH:

WHEREAS, on February 16, 1984, executed that certain Deed of Trust in the amount of \$1,284,400.00, which was recorded in Book 311, Page 254, in the public records of the DeSoto County, Mississippi Chancery Clerk's Office, in favor of Rural Development, encumbering that certain real property described in Exhibit A attached hereto and made by this reference made a part hereof (hereinafter referred to as the ("PROPERTY")) as security for a loan from Rural Development to Borrower;

WHEREAS, on April 1, 2000, Shadow Oaks executed that certain Deed of Trust in the amount of \$1,379,774.89, which was recorded in Book 1202, Page 320, in the public records of the DeSoto County, Mississippi, Chancery Clerk's Office, in favor of Rural Development, encumbering the Property as security for a loan from Rural Development to Borrower;

WHEREAS, on February 27, 2007, Shadow Oaks executed a Warranty Deed conveying the Property to Borrower, and said Warranty Deed was recorded in Book 552 at Page 606, in the public records of the DeSoto County, Mississippi Chancery Clerk's Office;

WHEREAS, on March 1, 2007, Borrower entered into that certain Multifamily Housing Assumption Agreement with Rural Development whereby it assumed indebtedness in the amount of \$1,345,015.13 as secured by the aforesaid deeds of trust;

WHEREAS, on March 1, 2007, Borrower executed that certain Real Estate Deed of Trust for Mississippi in the amount of \$1,345,015.13, which was recorded in Book at Book 2670, Page 607, in the public records of the DeSoto County, Mississippi Chancery Clerk's Office, in favor of Rural Development, encumbering the Property as security for the loan from Rural Development to Borrower all of these indebtedness described in these recitals shall be collectively referred to as the, "RURAL DEVELOPMENT LOAN";

WHEREAS, Trustmark National Bank has made a loan to Borrower in the amount of \$731,438 as evidenced by that certain Note dated January 15, 2008, which loan is secured by that certain Deed of Trust and Security Agreement recorded in Book 2849 at Page 514 ("CONSTRUCTION LOAN") constituting a lien upon the Property; and

WHEREAS, MHC has made a loan to Borrower in the amount of \$254,000 as evidenced by that certain Note dated 02/27, 2008, which loan is secured by that certain Deed of Trust and Security Agreement recorded in Book 3005 at Page 709 ("PRLF LOAN") constituting a lien

WHEREAS, MHC requires and Rural Development agrees to allow the subordination of the lien of the Rural Development Loan to the PRLF Loan in the principal amount of \$254,000 but in no greater principal amount, and the subordination of the lien of the Rural Development Loan to the lien of the PRLF Loan; and

NOW, THEREFORE, in consideration of the above premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, MHC, Rural Development and Borrower agree as follows:

1. Rural Development hereby subordinates the lien of the Rural Development Loan to the PRLF Loan as evidenced by the Note in the principal amount of \$254,000. Rural Development hereby expressly agrees that the lien of the PRLF Loan is superior to and prior in dignity to the lien of the Rural Development Loan.
2. The amount of this subordination will not exceed \$254,000 unless agreed to by Rural Development in writing. Further, the Subordination Agreement shall not include future advances made to Borrower except those advances necessary for the preservation of the Property and to protect the liens of MHC and Rural Development, such as payment of taxes and insurance.
3. MHC agrees that Rural Development shall be listed as loss payee as its interest appears on all insurance policies maintained on the Property.
4. Neither MHC nor Rural Development shall foreclose its respective mortgage(s), or accept a deed in lieu of foreclosure, without first providing no less than 30 days written prior notice to the other lender. The proceeds from any foreclosure sale shall be applied as follows: (a) to pay the costs of foreclosure, including legal fees; (b) to reimburse the lender or lenders for any protective advance made to preserve the Property or the mortgage lien of the foreclosing lender; (c) to MHC, until paid in full; and (d) to Rural Development, with the balance to be distributed in accordance with law.
5. All notices to be sent to Rural Development will be sent to the following address:

State Director, Rural Development
100 West Capitol Street
Suite 831, McCoy Federal Building
Jackson, Mississippi 39269-0898

Rural Development may, by written notice to MHC, change the above address.

All notices to be sent to MHC will be sent to the following address:

Mississippi Home Corporation
Attn: PRLF Loan Department
P. O. Box 23369
Jackson, Mississippi 39225-3369

MHC may, by written notice to Rural Development, change the above address.

6. (a) Borrower and its successors and assigns in interest shall use the improvements located on the Property for the purpose of those people eligible for occupancy as provided in Section 515 of Title V of the Housing Act of 1949, as amended, and Rural Development regulations during Full Term of the Mortgage. Under the agreement with Rural Development and applicable federal law, no eligible persons occupying the housing shall be required to vacate without cause and no eligible person wishing to occupy the housing shall be denied occupancy without cause. Borrower shall be released from said obligations of the debt only when the United States of America determines that there is no longer a need for housing on the Property under Section 515 of Title V of the Housing Act of 1949, as amended, or that financial assistance for such housing will no longer be provided due to no fault action or lack of action on the part of Borrower. A tenant of the Property, an individual wishing to become a tenant of the Property, or the United States of America may seek enforcement of this paragraph.

(b) It is understood and agreed that, in the event of (1) a determination by Rural Development that housing under Section 515 of Title V of the Housing Act of 1949, as amended, is no longer needed or (2) Rural Development is not providing assistance as described in paragraph 6(c), then neither MHC nor any other title holders after judicial foreclosure, or after a conveyance in lieu of foreclosure, shall in any way be restricted in its use of the Property under this or any other agreement or document between Rural Development, MHC, Borrower and their successors.

(c) To the extent of appropriations and applicable law, Rural Development agrees to provide rental assistance to forty-eight (48) housing units for eligible tenants in accordance with its governing rules and regulations in order to protect the existing and future tenants from rent overburden due to the necessary increase in rental rates required to pay principal and interest on the Note when due. Form 3560-27 "Rental Assistance Agreement" and Form RD 3560-9, "Multiple Family Housing Interest Credit and Rental Assistance Agreement" contain applicable covenants for providing "financial assistance" as stated in paragraphs 6(a) and (b) hereof. The said covenants are incorporated as a part of this Subordination Agreement. Rental Assistance currently is subject to renewal every five years.

7. Rural Development will monitor the Property in accordance with RD Instruction 7CFR-3650. Rural Development will furnish to MHC copies of all reports received pursuant to RD Instruction 7CFR-3560. Rural Development shall also notify MHC of any matter or circumstance that may jeopardize the financial viability of the Property within 5 business days of Rural Development's discovery of the matter or circumstance. MHC reserves the right to monitor the Property at any time. Rural Development will approve and endorse the use of any and all funds in the escrow accounts and send copies of all draw requests, inspection reports and approvals to MHC upon its request.

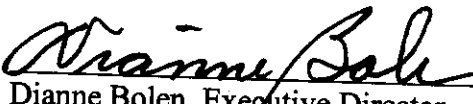
8. Rural Development will require Borrower to submit an annual audit report for the Property, the expense of which shall be deemed a project expense. If Borrower provides a written report, Rural Development will furnish a copy of the audit to MHC. MHC shall have the right to request additional financial information from Borrower.

9. Rural Development and MHC shall each serve and collect payments on their respective loans.

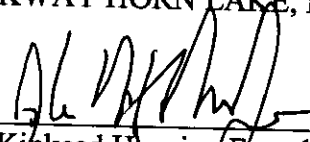
10. MHC and Rural Development shall each provide written notice to the other lender of the occurrence of a default, which written notice shall be sent no later than 15 days after MHC or Rural Development has made a determination that a default has occurred and which written notice shall specify the nature of the default and what action, if any, the sending party intends to take. Each lender shall promptly send to the other a copy of any notice or demand that it sends to Borrower.
11. In the event collections received from the operation of the Property, whether prior to or after the occurrence of a default or the installation of foreclosure proceedings, are insufficient to pay both the payments then due under the Rural Development Loan and the payments then due under the PRLF Loan, the collections shall be applied first to the amount then due on the PRLF Loan, with the balance, if any, to the amount then due on the Rural Development Loan.
12. MHC will take no action that would preclude Borrower from being able to comply with applicable government statutes, regulations, instructions and terms of Rural Development's loan instruments with Borrower.
13. The PRLF Loan will not be refinanced and/or assigned without the prior written approval of Rural Development. Rural Development's approval will not be unreasonably withheld. Also, prior written notice must be given to Rural Development before protective advances as allowed in Section 2 hereof can be made on the PRLF Loan.
14. Rental payments received from the Property may be assigned to MHC by Borrower, but the assignment cannot exceed the amount due on the PRLF Loan as said loan comes due. Borrower's assignment of the rental payments to MHC cannot be assigned to a subsequent assignee unless the PRLF Loan is also assigned with Rural Development's approval. Rural Development's approval will not be unreasonably withheld.
15. This Subordination Agreement and the rights and obligations of the parties hereunder shall be governed by, and construed and interpreted in accordance with, applicable Federal law.
16. This Subordination Agreement shall be binding upon and inure to the heirs, executors, administrator, successors and assigns of the respective parties.
17. This Subordination Agreement may only be waived, discharged, modified, amended or terminated by mutual consent of MHC and Rural Development in writing.
18. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as duplicate originals and shall constitute and be but one and the same instrument.
19. Rural Development, in the event of default by Borrower, hereby limits its claim for monies loaned to the Borrower to the assets of Borrower, including the value of the Property, and hereby waives, in such event, any claim it may have against any general partner's personal assets under the common law or laws of the State of Mississippi or of the United States of America.

IN WITNESS WHEREOF, the parties have caused these presents to be executed this ____
day of _____, 2008.

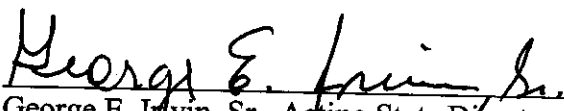
MISSISSIPPI HOME CORPORATION

By: 
Dianne Bolen, Executive Director

PARKWAY HORN LAKE, L.P.

By: 
Kinkead Housing Foundation, General Partner
John H. Dent, Jr., its Executive Director

UNITED STATES OF AMERICA,
RURAL DEVELOPMENT, U.S.D.A.

By: 
George E. Irvin, Sr., Acting State Director

STATE OF MS
COUNTY OF Hinds

BK 3,009 PG 102

Personally appeared before me, the undersigned authority in and for the said county and state, on this the 26th day of February, 2008, within my jurisdiction, the within named Dianne Bolen, who acknowledged that she is Executive Director of Mississippi Home Corporation, and as its act and deed, she executed the above and foregoing instrument after first having been duly authorized so to do.

Edna J. Davis
NOTARY PUBLIC

My commission expires: _____

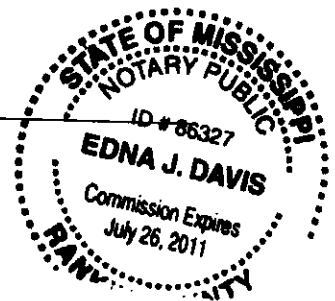


STATE OF MS
COUNTY OF Hinds

Personally appeared before me, the undersigned authority in and for the said county and state, on this the 26th day of February, 2008, within my jurisdiction, the within named John H. Dent, Jr., who acknowledged that he is the Executive Director of Kinkead Housing Foundation, General Partner of Parkway Horn Lake, L.P., and that he executed the above and foregoing instrument, after first having been duly authorized so to do.

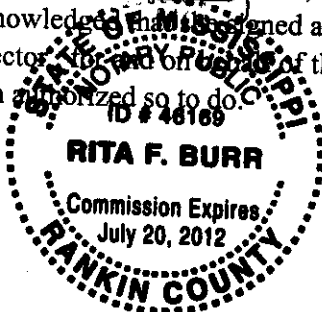
Edna J. Davis
NOTARY PUBLIC

My commission expires: _____



STATE OF MS
COUNTY OF Rankin

Personally appeared before me, the undersigned authority in and for the said county and state on this the 24th day of February, 2008, within my jurisdiction, the within named George E. Irvin, Sr., who acknowledged that he signed and delivered the foregoing Subordination Agreement as Acting State Director for and on behalf of the United States of America, Rural Development, U.S.D.A., having first been duly authorized so to do.



Rita F. Burr
NOTARY PUBLIC

My commission expires: 7/20/2012